

Key Points:

AIG Announces Fourth Quarter and Full Year Results; U.S. Government Provides Support For Continued Restructuring of AIG

March 2, 2009

Background

American International Group, Inc. (AIG) reported today that continued severe credit market deterioration and charges related to ongoing restructuring activities contributed to a record net loss for the fourth quarter. For the fourth quarter of 2008, AIG reported a net loss of \$61.7 billion or \$22.95 per diluted share compared to a 2007 fourth quarter net loss of \$5.3 billion or \$2.08 per diluted share.

AIG also announced additional support from the federal government that will protect its businesses from the financial challenges facing the parent company. AIG and the government have set forth a long-term plan designed to maximize the value of AIG businesses for the benefit of all stakeholders. AIG announced its plan to undertake an extensive restructuring that will lead to the stability and vitality of its businesses and ensure continued support for AIG subsidiaries.

Key Points

- With the support and cooperation of the U.S. Treasury and Federal Reserve, AIG will now have a new set of tools to reduce its debt, strengthen its capital base, and enhance the value of its core businesses.
- These tools will afford AIG more time to benefit from future improvements in market and industry conditions while it positions its businesses, including VALIC, as more independently run companies.
- The tools include:
 - Improved terms of existing preferred investment
 - Additional equity capital commitment
 - Reduced cost of the Federal Reserve Bank of New York credit facility
 - Continued access to the credit facility
- Last fall, AIG announced its decision to explore divestiture opportunities for most of its businesses, including VALIC.
- Since that time, global economic conditions have deteriorated, posing risks to AIG's ability to divest assets at acceptable values. AIG believes that it should redirect the divestiture process to maximize the value of its businesses over a longer time frame.

Key Messages

- The Variable Annuity Life Insurance Company (VALIC) continues to be a separate legal entity, incorporated in the State of Texas.
- VALIC is well positioned in its markets and continues to operate in the normal course to meet obligations to its contract and certificate owners.

- VALIC will have access to the capital required to support our business through this period, as we strengthen our franchise to make our company even more attractive to our contract and certificate owners.
- Contract and certificate owners can be assured that all contracts remain valid and are protected. There will be no gaps in service or insurance coverage as we separate from the parent company.
- The restructuring of AIG will not have a direct impact on your annuity contract because it was issued by VALIC.

Is my money safe with VALIC?

- VALIC is financially strong with \$2.94 billion in adjusted capital and surplus as of 12/31/08. Adjusted capital and surplus means that VALIC is able to meet its obligations (such as the fixed account options and fixed annuity contracts). VALIC's capital and surplus are completely separate from its ultimate parent, AIG.
- It's important to understand how the design of an annuity protects your investment. When you invest in a variable annuity, assets in the variable investment options are invested in underlying portfolios (subaccounts) regulated by the SEC and managed by professional money managers. These assets are held in a separate account. The separate account assets are owned by the insurance company for the exclusive benefit of the clients and their beneficiaries. State insurance laws provide that the separate account assets are not chargeable with the liabilities arising out of any other business conducted by the insurance company. This is intended to ensure that the separate account is not subject to claims from any person or entity other than a contract owner, plan participant or beneficiary.

If you choose to invest in a guaranteed fixed investment option, the fixed options guarantee a return of the premiums plus a specified fixed rate of return. Guarantees are backed by the general account of the issuing life insurance company, which supports its obligations.

Living and death benefit guarantees are also supported by the strength of an insurer's general account. The general account is exposed to risks typically associated with a portfolio of fixed income securities, namely, interest rate, option, liquidity and credit risk.

Note: Variable annuities are long-term investments designed for retirement. An investment in a variable annuity involves investment risk, including loss of principal. Variable annuity investment options fluctuate with market conditions. The contract, when redeemed, may be worth more or less than the total amount invested.

- If you are invested in VALIC's group mutual fund product, your accounts are held by qualified financial custodians for the exclusive benefit of retirement plan participants and their beneficiaries. Under Federal law, mutual fund assets are owned by the shareholders of the funds (participants) and are not subject to claims by creditors, such as AIG or VALIC.

The fixed account portions of your accounts are invested in a VALIC fixed contract that is part of VALIC's general account, guaranteeing fixed rate earnings and a guarantee of principal. A general account is the insurance company's account that receives the annuity premiums and invests them according to state insurance regulations. The general account guarantees and supports only the obligations of that insurance company, and not any obligations of a parent company.

How is my annuity protected by state insurance regulations?

- Guarantees in your annuity are as strong as the general account of the insurance company. State insurance regulations surrounding general account management and investing are substantial, and intended to preserve the solvency of the insurance company general account. The purpose of such regulations is to assure that the contractual obligations to policyowners, such as the guarantees inherent in living and death benefits, are fulfilled. These regulations, which include conservative investment requirements, are intended to help minimize the risk to client assets in the general account and maximize the insurer's ability to pay claims from that account.
- It is important to note that the guarantees within a fixed annuity contract are backed by the issuing life company's general account, which supports the obligations of that life company.
- State insurance departments will also have involvement and oversight in any sale of an insurance company that they regulate. VALIC is domiciled in Texas and is regulated by the state's insurance department. The insurance department's primary concern in any sale will be the preservation of owners' contracts.

What obligations does an insurance company have to customers?

- For money invested in the general account, the company provides fixed rate earnings and a guarantee of principal plus living and death benefits. It's the opinion of the rating agencies that VALIC has an "excellent ability" to meet its ongoing insurance obligations.

Why are financial strength ratings important?

- While financial strength ratings are subject to change at any time, we remain confident in our current high (investment grade) ratings. These ratings are assigned by ratings agencies following an in-depth review of company financials. The ratings assigned represent the agencies' assessment of a company's financial condition and ability to satisfy its contractual obligations to its customers. Financial strength is important—you want the company that stands behind the insurance guarantees in an annuity to be there when you need it—when you're ready to take income or when your heirs need the funds that are due to them. Our ratings are competitive with those of our industry peers. VALIC's ratings are:

VALIC Financial Strength Ratings				as of 03/02/2009
Agency	Rating	Descriptor	Definition	
A.M. Best ¹	A	Excellent	"Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations."	
Fitch ²	AA-	Very Strong	"Denote a very low expectation of ceased or interrupted payments. They indicate very strong capacity to meet policyholder and contract obligations on a timely basis. This capacity is not significantly vulnerable to foreseeable events."	
Moody's ³	A1	Good	"Insurance companies rated A offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future. "	
S&P ⁴	A+	Strong	"An insurer rated 'A' has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings."	

1 Negative outlook

2 Rating watch evolving

3 Developing outlook

4 Outlook negative

Is my annuity insured by the FDIC?

- No. The FDIC insures bank accounts, such as checking, savings, trust and money market deposit accounts, as well as certificates of deposit (CDs) and IRAs. Bank accounts generally are insured by the FDIC up to the legal limit of \$250,000.
- The FDIC does not insure products such as mutual funds, annuities, life insurance policies, stocks and bonds.

Securities and investment advisory services are offered by AIG Retirement Advisors, Inc., member FINRA, SIPC and an SEC-registered investment advisor.

Annuity contracts are issued by The Variable Annuity Life Insurance Company. Annuities and mutual funds offered by AIG Retirement Advisors, Inc. are distributed by its affiliate, American General Distributors, Inc., 2929 Allen Parkway, Houston, TX 77019, member FINRA.